



STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT

Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

April 11, 2006

TO: Agency Directors and Budget Officers

FROM: ^{CE}
Candace Espeseth, Assistant Director
Budget Division

SUBJECT: PROPOSED BUDGET FORMAT CHANGES

This memorandum provides instruction for agencies considering format revisions to their budget reporting structure.

A "budget format change" refers to any of the following changes in budget allotment or accounting formats:

- A major shift of costs between programs (subprograms in DSHS)
- A program consolidation or separation
- A title change, if the new title is substantially different from the current program or sub-program name
- Any other significant revisions that would affect the comparability of staffing, expenditure, or revenue data over time

Agencies proposing any such changes must submit a request to the Office of Financial Management (OFM) no later than **May 10, 2006**.

What the Agency Request Should Include

Agency submittals must provide a thorough description and explanation of each proposed budget format change. Please include the following elements to ensure that your agency submittal is complete (see enclosed example memo and Attachments A and B).

1. *Narrative Description of the Change* (see example memo) that focuses on the following questions:
 - What purpose is served by the change?
 - How will this change affect the availability and understanding of budget information for policymakers and the public? For example, if programs are being consolidated, explain how this change will affect the availability of data from formerly independent programs.
2. *Crosswalk* (see Attachment A) that displays details within the affected programs in the existing structure and in the proposed structure.



3. *Comparison of Current Structure and Proposed Structure* (see Attachment B), comparing the total estimated current biennium expenditures and FTEs, **for all programs**, before and after the proposed changes.
4. *Reconstructed ten-year operating and capital expenditure and FTE history* (Fiscal Years 1996-2005, with Fiscal Years 2006 and 2005 reconstructed after the biennial close) reflecting the proposed structure, if required by the threshold below. This information will be used to update OFM's historical database. **The reconstructed data are due within ten days of receipt of tentative approval from OFM for the program structure change.** The proposal will not be added to the Legislative Evaluation and Accountability Program (LEAP) Committee hearing agenda if reconstructed data have not been received.

For more information on the type and format of the data required, please contact Mike Schaub of the OFM Accounting Division at (360) 664-7756 or michael.schaub@ofm.wa.gov. Program changes prompted by legislative action (e.g., creating a new agency or moving an existing program to another agency) do not require a formal request; however, the ten-year history restructure is still necessary.

Threshold for Historical Restructure

All budget format changes must be proposed to OFM. If OFM approves a proposed change, legislative fiscal staff must concur with the proposals as recommended by OFM. If these conditions are met, the following threshold determines when budget format changes require historical reconstruction of data:

Agencies proposing changes that are less than 1 percent of budgeted expenditures or staffing, one million dollars per fiscal year, or ten FTE staff per fiscal year do not have to submit an historical reconstruction of data unless later requested by the Legislative Evaluation and Accountability Program (LEAP) Committee. The percentage applies to the agency expenditures for an agency appropriated at the agency level (program or category, if appropriated at that level). When the threshold is based on program or category, historic reconstruction is required when any affected program or category hits the threshold.

To avoid unnecessary work, please contact your OFM budget analyst for preliminary approval of the proposal before creating historical data.

Budget program structure change requests should be mailed to:

Linda Swanson
Office of Financial Management
Budget Division
P.O. Box 43113
Olympia, WA 98504-3113
Linda.swanson@ofm.wa.gov

Attachments

(EXAMPLE ONLY)
DEPARTMENT OF SIGNIFICANT PRODUCTS

April 29, 2005

TO: Linda Swanson, Budget Assistant to the Governor
Office of Financial Management
Budget Division
P.O. Box 43113
Olympia, WA 98504-3113

FROM: George Washington, Assistant Director
Administrative Services Division

SUBJECT: BUDGET PROGRAM STRUCTURE CHANGE

The Department of Significant Products (DSP) requests a budget program structure change for the 2005-07 Biennium and all subsequent biennia. The change consists of separating our marketing services functions from the significant production functions.

What is the reason and purpose for the change

Our agency recognizes marketing resources as a vital asset. The separate program will facilitate management of this resource. The Assistant Director that will head the new program will be accountable for getting better results from these resources. As a separate program, those marketing resources and costs will be more visible and agency management will have better data with which to manage them.

Communication of budget information

We believe this change will improve the communication of budget information both internally and externally. This proposal takes costs previously consolidated in one program and breaks them into two components. Marketing costs formerly were consolidated with other production costs making them difficult to identify and manage. We believe this change will provide a better picture of our overall production costs. We do not believe there will be any loss of information.

The new program would be numbered **050** and would be titled **Marketing Services**. Attached please find a **Crosswalk of Programs Affected by Restructure** and a **Comparison of Current Structure and Proposed Program Structure**.

Thank you for your consideration. If you have any questions, please contact our budget officer, Alex Hamilton, at 664-9999.

Attachments

ATTACHMENT A
(EXAMPLE ONLY – REVISED 4-01-05)

DSP Crosswalk of Programs Affected by Restructure:

2003-05 Existing Structure	2005-07 Proposed Structure
030 – Significant Production	030 – Significant Production
Research Product Design Production Quality Control Customer Sampling Focus Groups Advertising Shipping	Research Product Design Production Quality Control <i>Transferred to Program 050</i> <i>Transferred to Program 050</i> <i>Transferred to Program 050</i> Shipping
Proposed New Program (050)	050 – Marketing Services
	Customer Sampling Focus Groups Advertising

Attachment B (EXAMPLE ONLY)

**Comparison of Current Structure and Proposed Structure
2005-07 Estimated Expenditures and FTE Staff by Program**

Agency: Department of Significant Products

	Before Structure Change			After Structure Change			Summary of Justification
	FTEs	GF-State	Other Funds	FTEs	GF-State	Other Funds	
Current Programs:							
010-Administrative Services	106.4		16,491,425				
020-Significant Assistance	686.8		101,702,955				
030-Significant Products	241.3	132,650	244,079,472				
040-Significant Policy	107.4	2,386,882	10,576,802				
Proposed Programs:				This program structure change will accomplish the following:			
010-Administrative Services	106.4	-	16,491,425				* Marketing investments will be more visible to decision maker
020-Significant Assistance	686.8	-	101,702,955				
030-Significant Products	198.9	16,000	236,144,158				* Establish accountability for return on marketing investments
040-Significant Policy	107.4	2,386,882	10,576,802				
050-Marketing Services	42.4	116,650	7,935,314				
Totals	1141.9	2,519,532	372,850,654	1141.9	2,519,532	372,850,654	